



NATIONAL SECURITY AGENCY
CENTRAL SECURITY SERVICE
FORT GEORGE G. MEADE, MARYLAND 20755-6000

Serial: 066/92
09 September 1992

Gerald E. McDowell, Esq.
Acting Deputy Assistant Attorney
General
Criminal Division
U.S. Department of Justice
10th St. & Pennsylvania Ave., NW
Washington, D.C. 20530

Re: BNL Prosecution ()

Dear Mr. McDowell:

() I am responding to your letter of 1 September 1992 in which you inquire about this Agency's knowledge of or involvement in illegal activities of the Banca Nazionale del Lavoro (BNL) since October 1985. In response to your request, members of my office have spoken to a representative of this Agency's comptroller's office for an answer to your first question. For an answer to your other questions, members of my office met with members of the analytic office responsible

[redacted] (That office conducted a review of [redacted] well as of analysts' working files.) Before turning to your questions, I think it may be helpful to review briefly the restrictions on our use of intercepted communications and our procedure for reporting illegal activities to the Department of Justice.

() The interception of communications by this Agency is extremely sensitive because of the danger it poses to the privacy of American citizens. In the early 1970s, this Agency improperly targeted the communications of a number of Americans opposed to the Vietnam War. In response to these abuses, uncovered by the Church and Pike Committees in 1975 and 1976, the Foreign Intelligence Surveillance Act of 1978, Executive Order 12333, and numerous regulations now limit the targets of our collection efforts. As a result, NSA may only target communications for the purpose of producing foreign intelligence; we have no authority

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to target communications for law enforcement purposes. Our responses to you are thus based on a review of intelligence reports issued by NSA, and not a new review of intercepted raw traffic.

In addition to restricting the purposes for which we may target communications, current regulations also protect the privacy of Americans by requiring that our reports omit the identity of any U.S. person, including a U.S. bank. For the identity of a bank, we substitute a generic description, such as "U.S. bank"

[REDACTED]

At the same time, if in the course of acquiring foreign intelligence, we become aware of a possible violation of certain federal criminal laws, we must report the violation to the Attorney General. We make these reports as provided for in Executive Order 12333 and the Memorandum of Understanding between the Department of Justice and this Agency. If, as a result of reviewing NSA intercepts for foreign intelligence information, any NSA employee became aware of a potential criminal violation, a report should have been sent to the Department of Justice. I have no reason to believe that any Agency employee became aware of such a possible violation and then attempted to avoid this reporting requirement.

With that background, our answers to your questions are as follows:

1. (a) Was NSA involved in any manner in the utilization of BNL-Atlanta for unauthorized funding to Iraq?

No.

(b) If so, were any employees or officers of BNL-Atlanta or BNL-Rome aware of NSA's involvement in these activities?

Not applicable.

2. Did NSA have contemporaneous knowledge that Christopher Drogoul and other former officers and employees of BNL-Atlanta made unauthorized loans and extensions of credit to Iraqi government entities, exporters to Iraq, and others?

No.

3. Was NSA aware, prior to 4 August 1989, that BNL-Atlanta was making unauthorized loans and extensions of credit to Iraqi government entities, exporters to Iraq, and other persons and entities unrelated to Iraq?

No.

4. Did NSA have contemporaneous knowledge that false information, documentation, and reports were given to federal and state banking regulators, as well as to authorities of the Italian government, in order to conceal the unauthorized funding?

No.

5. Was NSA aware prior to 4 August 1989 of any other illegal activities by BNL-Atlanta or BNL-Rome?

No.

6. Did NSA ever monitor BNL-Atlanta's financing of U.S. Government export guarantees to Iraq by the Department of Agriculture's Commodity Credit Corporation?

No.

7. Did NSA assist, encourage, condone, or acquiesce in, either by action or inference, any wrongdoing on the part of BNL-Atlanta or any of its officers or employees?

No.

8. (a) Does NSA have any information that BNL-Rome was aware of illegal activities engaged in by BNL-Atlanta?

No.

(b) If so, when did NSA acquire such knowledge?

Not applicable. -

9. Did NSA take any action, including withholding information, to influence or impede any existing or potential civil or criminal investigation or prosecution of BNL?

No.

To elaborate on our response to the last question, the Department of Justice requested on 12 October 1990 access

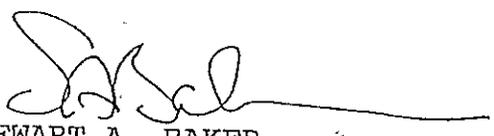
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As a result of that request, we and Messrs. Clark and Greenberg of the Criminal Division. More recently, the Department requested information about a possible swap of U.S. agricultural products for arms from former Soviet-Bloc countries. We responded preliminarily to that request on 13 August 1992, and we expect to provide a final answer shortly. We believe we have cooperated fully with all requests for assistance. Should you want further access to our reports, we would be glad to consider providing that to you.

Please remember that information disclosing _____ in this case is classified CONFIDENTIAL. Information _____ with the answers to specific questions is classified TOP SECRET.

(U) I hope this letter assists you in bringing this prosecution to a successful conclusion. If you have any questions, please call me on STU III (301) 688-6705.

Sincerely,



STEWART A. BAKER
General Counsel

Copy Furnished:
Peter Clark, D/Chief Fraud Section